

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Capital Area Human Services District
Department of Health and Hospitals
State of Louisiana
Baton Rouge, Louisiana**

March 19, 2003



Financial and Compliance Audit Division

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**CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Baton Rouge, Louisiana

Procedural Report
Dated March 14, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

March 19, 2003



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March 14, 2003

CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Capital Area Human Services District. Our procedures included (1) a review of the district's internal controls; (2) tests of financial transactions for the years ended June 30, 2002, and June 30, 2003; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 2002, and June 30, 2003; and (4) a review of compliance with the prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected district personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Capital Area Human Services District were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The district's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on the Capital Area Human Services District, dated March 16, 2001, we reported a finding relating to movable property items and noncompliance with the Cash Management Improvement Act agreement. These findings have been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Insufficient Controls Over Receipts

The Capital Area Human Services District does not have adequate controls over receipts to ensure that funds are deposited immediately and that all funds deposited into local bank accounts are transferred timely to the State Treasurer's Office. A good system of internal control requires (1) the placement of a restrictive endorsement on checks upon receipt; (2) preparation of a daily log of funds received to ensure that all receipts are properly recorded; and (3) proper segregation of duties so that no one employee is in a

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CAPITAL AREA HUMAN SERVICES DISTRICT DEPARTMENT OF HEALTH AND HOSPITALS STATE OF LOUISIANA

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position to commit errors or fraud that would not be detected timely by another employee in the regular course of assigned duties.

A review of the district's controls over receipts disclosed the following conditions:

- The district's administrative office does not log or restrictively endorse private grant checks it receives. All 11 checks totaling \$32,033 that were received during fiscal year 2002 and 2003 were deposited untimely. Since no receipt date is recorded, audit procedures determined that the deposits were made 8 to 34 days after the award letter date.
- The Capital Area Recovery Program (CARP) did not deposit receipts timely into a local bank account. Receipts totaling \$548 collected from September 13, 2002, to January 30, 2003, were deposited on February 6, 2003.
- The employee responsible for maintaining the local bank account for the Baton Rouge Substance Abuse Clinic and the CARP did not transfer funds deposited into the local bank account to the State Treasurer's Office on a timely basis.
- Receipts totaling \$7,910 that were deposited from August 2001 through December 2002 were not transferred to the State Treasurer's Office for periods up to six months. During this 17-month period, transfers were made on October 23, 2001; January 25, 2002; July 15, 2002; and February 4, 2003.
- CARP receipts totaling \$1,987 that were deposited from May 2001 to June 2002 were not transferred to the State Treasurer's Office until February 4, 2003.
- Bank reconciliations prepared by the employee were not reviewed to determine if receipts were transferred timely to the State Treasurer's Office.

Management has not placed sufficient emphasis on controls over cash receipts relating to the deposit and transfer of receipts and proper supervision over employees responsible for maintaining bank accounts. Failure to establish controls over receipts increases the risk that receipts may be lost and not be detected in a timely manner.

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The district should establish adequate written controls over receipts to ensure that all receipts are deposited immediately and are transferred timely to the State Treasurer's Office. In addition, the district should strengthen procedures to include reviews of all monthly bank reconciliations. Management concurred with the finding and recommendations and outlined plans of corrective action (see Appendix A).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the district. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the district should be considered in reaching decisions on courses of action.

This report is intended solely for the information and use of the district and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

CRV:EFS:AJR:dl

[CAHSD02]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation

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Clarence Speed

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Jan Kasofsky, Executive Director

March 07, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

We have reviewed your finding entitled *Insufficient Controls Over Receipts* for the Capital Area Human Services District and concur with the finding.

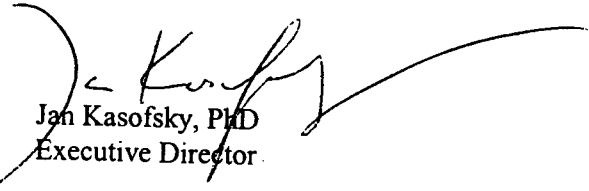
It is noted that a lack of proper training exists with some employees and others were properly trained and not sufficiently supervised to ensure that these functions were carried out properly. Letters of counseling and specific instruction have been issued and employees have been made aware of the seriousness with which the District regards the proper performance of these functions.

To ensure that incidents of this nature do not occur in the future, "Management" will ensure that the following steps are taken:

1. Written policies relating to the receipt, deposit, and transfer of funds will be implemented at all CAHSD facilities and offices within 45 days which specifically address:
 - timely deposit and transfer of funds
 - the placement of restrictive endorsements on checks upon receipt
 - preparation of daily logs of funds received to ensure that all receipts are properly recorded
 - proper segregation of duties
- All staff with fiscal responsibilities will be trained on this policy within 30 days of its implementation.
- Adequate staff will be trained and employed to perform the required tasks in accordance with the policy.
- Supervisory roles will be clearly defined in the policy and supervisors will be trained on their roles in ensuring that staff under their supervision with fiscal responsibilities are performing their assigned task properly.

The Deputy Director, Carol Gross, will be the contact person responsible for ensuring that the above corrective action plan is enforced. The anticipated completion date for implementation of policy and staff training is May 20, 2003 with on-going training and compliance monitoring as required.

Sincerely,


Jan Kasofsky, PhD
Executive Director